

**COST SUMMARY**

There are, in general, two types of costs associated with each of the 16 features in the proposed personnel and compensation system. The first, is the **startup costs** required to develop and initially implement the system feature. The second, is the ongoing or annual cost to provide the improvements offered by the system feature. The projected costs of each system feature for FY 1988 through FY 1992 are summarized below. In addition to the costs shown in this summary, the Office of Personnel, the Office of Finance and the Office of Information Technology have undertaken a long-term project to upgrade and consolidate the personnel and payroll systems. This multiyear project, estimated to cost between \$10 million and \$20 million, has been undertaken independent of this effort. This major upgrade of the personnel and payroll systems should accommodate the features that we have proposed in this report.

**FEATURE 1--OCCUPATIONALLY DEFINED BANDS:**

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(Dollars in Thousands)

	FY88	FY89	FY90	FY91	FY92
Cost of conversion to occupationally defined bands (prorated steps)					

The actual costs of administering the proposed system are assumed to be the same as those under GS. In converting the Agency to occupationally defined bands, however, we propose that employees be paid for the pro rata share of their next step increase. These costs would have been incurred anyway as permanent step increases over a three year period in the GS. It was decided that an upfront cash payment of the pro rata step amount would have the benefit of holding down long-term payroll costs while being equitable to employees.

In the proposed approach, costs for payment of the pro rata step increase would be spread over approximately three years on the basis of anticipated conversion of approximately 5,100 employees in FY 1988 to the new system, with the remaining population to be converted over the following two years.

**FEATURE 2--INCENTIVE PAY:**

(Dollars in Thousands)

	FY88	FY89	FY90	FY91	FY92
Implementation of the incentive pay program.					

A major component of the proposed system is an incentive pay program that would be designed to recognize and reward current performance with annual increases in base pay and with cash performance bonuses.

Costs for this feature of the proposed system are postulated on the assumption that approximately 50 percent of the population would be eligible for an incentive award greater than current GS in-steps, and that all employees performing at a fully satisfactory level or better would do at least as well as under the GS.

Cost projections for the performance award system assume that approximately 5,100 employees would be converted in FY 1988. The remainder of the Agency population would be placed in the new system over the next two fiscal years.

### Total Population Incentive Pay Costs

Cost computations for full population projected as follows:

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	<u>Year</u>	Operating Assumptions
New system salary costs		-Constant population level
Bonus cost		-Attrition/EODs at FY 1986 levels
Less expected GS costs		-Promotion=10 percent or range minimum
Less SA/QSI costs		
Net total population		

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### FEATURES 3 and 4--PERFORMANCE APPRAISAL SYSTEM DESIGN AND DEVELOPMENT:

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	(Dollars in Thousands)				
	FY88	FY89	FY90	FY91	FY92
Consulting services					

To develop a modified performance appraisal system it will be necessary to engage the services of external contractors who are experts in the field. These experts would provide advice and direction, review and comment on work completed at the direction of the Task Force, and participate in the development of administrative and implementation procedures. System design and development costs for FY 1989 are estimated to be 35K. In FY 1989 and FY 1990 consultants would be used for advice and guidance regarding system maintenance and modification.

**FEATURE 5--OCCUPATIONAL CAREER HANDBOOKS:****CAREER DEVELOPMENT**

25X1

Automation support

(Dollars in Thousands)

FY88	FY89	FY90	FY91	FY92

NO O&amp;M COST?

Each employee would receive an occupation-specific career handbook outlining the career development, training, performance management, and pay administration procedures relevant to that occupation. Recruiters, human resource planners, and career counselors would use the books as reference guides to identify Agency skills needs. Career handbooks also would be made accessible via CRT with the goal of gradually reducing the number of printed handbooks as more employees gain terminal access. The initial costs for printing these books should be within the P&PD annual budget and updates would be in looseleaf form to minimize updating cost.

Career advancement would be predicated on growth in skills outlined in the career handbooks. Annually, supervisors would evaluate employees on skills proficiencies using an automated procedure that would cost \$150,000 in FY 1988 for developmental and employee training costs.

**FEATURE 6--INDIVIDUAL CAREER DEVELOPMENT PLANS:**

No cost.

25X1

TRAINING IN IMPLEMENTING SYSTEM  
FEATURES 1 - 6

(Dollars in Thousands)

FY88	FY89	FY90	FY91	FY92

Training for managers would consist of: one-day sessions in groups of 25.

25X1  
25X1

Briefing for Headquarters employees in each of the occupational categories would consist of half-day sessions in groups of 50 to 150, with 70 as the average size.

25X1

25X1 Nonsupervisory employees assigned outside the Headquarters area would be  
 25X1 briefed in various locations in a manner similar to that training provided for  
 25X1 managers. To reach about [ ] employees at [ ] locations overseas, would  
 25X1 require one team, briefing an average of [ ] employees per day (in two half-day  
 25X1 sessions) for a total of [ ] training days and [ ] travel days. To brief  
 25X1 approximately [ ] employees at [ ] domestic locations would require one team,  
 25X1 briefing an average of [ ] employees per location for a total of [ ] training  
 25X1 days and [ ] travel days.

Additional information about the new system would be made available through the Learning Centers.

Costs spread out over two years are:

- Contractors 150K
- Travel Per Diem 350K
- Training Materials 5K
- Facilities 35K

#### FEATURE 7--OCCUPATION SPECIFIC TRAINING:

25X1 (Dollars in Thousands)

Occupational training	FY88	FY89	FY90	FY91	FY92

Until the training profiles are identified by the Occupational Panels, precise dollar estimates for increased training under the new system can not be clearly defined. As an illustration, however, if training were increased by 20 percent for each occupational group and implementation were spread out over three to five years, the additional dollar costs for internal OTE training could be estimated at \$2 million per year.

#### FEATURE 8--IMPROVED AVAILABILITY OF TRAINING:

25X1 (Dollars in Thousands)

Training Improvements	FY88	FY89	FY90	FY91	FY92

Under the proposed system, the availability of training would be expanded to provide our dispersed and mobile work force with a variety of self-study packages that could, for example, be taken home and played on home VCRs or computers. More material would be delivered by computer-based instructional programs, correspondence courses, internally televised courses, as well as courses taught by traveling teams. The estimated annual cost of this feature is \$1.5 million.

**FEATURE 9--DUAL TRACK:**

Within budgetary constraints, senior managers will have the flexibility to place employees into the expert track. There are no direct additional costs associated with expanding opportunities for experts. However, there would be additional costs associated with incentive programs that are proposed for managers and experts through the SIS level.

(Dollars in Thousands)

Management-Expert incentives	FY88	FY89	FY90	FY91	FY92
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A Management-Expert Incentive Program (MEIP) has been structured that would permit participants to be awarded an additional bonus that, when combined with the normal incentive bonus, could be as much as 15 percent of base pay for those managers and experts who demonstrate the greatest proficiency. This program is budgeted at a fixed amount. This amount will drive the size and number of awards that could be made. For the purpose of developing cost estimates, it was assumed that there would be approximately [redacted] program participants with an average salary of \$60,000. Fifty percent of this population was assumed to be superior or outstanding, and would be eligible for combined regular and MEIP incentives averaging 8 to 10 percent.

Cost projections for this program assume a phase in of the program over two years, with the costs to grow at a rate not to exceed the rate of Agency personal services growth.

(Dollars in Thousands)

SIS bonus program	FY88	FY89	FY90	FY91	FY92
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The proposed bonus distribution plan is designed to bring the Agency more closely into alignment with private-sector executive compensation practices. We propose to extend bonus eligibility of our SIS population to recognize a larger number of superior performers by expanding the bonus pool from 3 percent of SIS payroll to 4 or 5 percent. This is in accordance with a recommendations that the SES Advisory Board is going to make to the Director of OPM. The average value and maximum value of SIS bonuses are assumed to be the same as today.

**FEATURE 10--PROMOTION:**

We do not anticipate a significant change in the total number or cost of promotions under the proposed system.

**FEATURE 11--FLEXIBLE BENEFITS:**

25X1 Flexible benefits  
development and implementation

(Dollars in Thousands)

FY88	FY89	FY90	FY91	FY92

This initiative would allow introduction of a flexible benefits program by FY 1990. Open season for this program would coincide with the normal benefits open season in November of 1989. The major cost of a flexible benefits plan is the cost of the benefits provided, however, such a plan could be designed to develop any desired cost level. This budget initiative assumes that, except for the additional costs of development and implementation, no new funds would be required in FY 1988 and FY 1989 for Benefits and FICA Contributions (SOC=1,210). This initiative addresses only the costs of developing and implementing a new flexible benefits program.

Costs for FY 1988 include:

- 150K for new enrollment software.
- 300K for claims-processing software modifications.
- 100K for payroll system modifications.
- 150K for 30-percent software margin.
- 50K for approximately 200 hours of consultant time.
- 200K for first-year communications expenses.

Costs for FY 1989 and outyears include:

- 40K for software modifications and maintenance.
- 50K for miscellaneous administrative costs.
- 50K for ongoing communications activities.

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**FEATURE 12--RETENTION TOOLS:**

Increase carryover limits  
and leave conversion for non-SIS  
officers

(Dollars in Thousands)

FY88	FY89	FY90	FY91	FY92
2,700	2,700	2,700	2,700	2,700

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This initiative provides four options to the current annual leave program:

- ° Increased annual leave carryover limits for non-SIS officers. The additional cost is \$300K per year.
- ° Leave in excess of the individual leave carryover limit, that otherwise would be forfeited due to exigencies of the service, would be converted to its cash value. On the basis of past forfeiture levels, the additional cost per year is estimated to be \$2,400K.
- ° SIS officers would be allowed to convert annual leave balances over 500 hours to its cash value. This option results in long-term savings to the CIA by paying out accrued leave balances in current-year dollars instead of end-of-career dollars.
- ° Conversion of excess annual leave to individual sick leave or sick leave bank. This option results in no cash outlays by the CIA.

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#### FEATURE 13--EDUCATIONAL ASSISTANCE FOR DEPENDENTS:

CIA-sponsored guaranteed loans

(Dollars in Thousands)				
FY88	FY89	FY90	FY91	FY92

This feature provides a means for providing educational assistance to the children of CIA employees. The recommended option is a CIA-sponsored Guaranteed Student Loan Program. Cost estimates are on an average loan value of \$3,000 per year, 85 loans per month, and a 10-percent default rate.

#### FEATURE 14--WORK FORCE CONTROL TOOLS:

Retention bonuses

Bonuses could range from \$2,000 to \$10,000 per year per person.

Early retirement options

Actual costs would be contingent on the frequency with which the options are used. However, using a hypothetical case to develop rough order of magnitude costs we estimate that each individual who selects an early retirement option would cost CIA approximately \$125,000.

This feature establishes a number of tools for managing organizational turnover and dissatisfaction. The first is a retention bonus program aimed at retaining key individuals in critical high-turnover occupations. The second is a series of three special retirement provisions:

- ° Early retirement for certain SIS officers.
- ° Early retirement for selected key people in expert positions.
- ° Unreduced benefits for those involuntarily or optionally retired under reductions in force.

#### FEATURE 15--SYSTEM CONTROLS:

Salary administration support	(Dollars in Thousands)				
	FY88	FY89	FY90	FY91	FY92

To enable managers to effectively allocate incentive pay to employees under their control, automated support is required to identify the population within the incentive pool and to ensure that projected incentive pay distributions are within the allocated funding levels. External contractor support would be required to develop the software that would be needed for this system. System specifications would be developed by the Office of Personnel based on the design features for the system developed by the Task Force and approved by Agency management. Current Agency hardware would be used for the system. This design and implementation effort would require approximately two man years of contractor support.

Salary schedule maintenance	(Dollars in Thousands)				
	FY88	FY89	FY90	FY91	FY92

On a periodic basis, the Office of Personnel would review the Agency salary structure to determine its currency with the market. To support this effort, external contractor support would be required to develop the necessary market information that would be used to recommend salary structure adjustments to Agency management. OP personnel would be used to accomplish the Agency portion of the biannual reviews.

#### FEATURE 16--PROJECTION TOOLS:

Diagnostic cost models	(Dollars in Thousands)				
	FY88	FY89	FY90	FY91	FY92



The projection of personnel costs in the new pay system is based on assumptions that must be revalidated periodically. If not, personal service costs might escalate out of control.

A computer model has been developed that anticipates personal service costs based on a series of assumptions. Additional computer modeling tools would need to be developed for senior management to use in the planning and budgeting process. The tools also would enable the line manager to project future salary costs based on actual data on within level increases, promotion rates, and cash awards.

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One model would be required that would assist the line managers in understanding the dynamics of the new pay system. The model would be able to isolate individual organization components and accept the actual data from the new pay system and project new personnel costs based on actual data on head count, attrition data, EOD, and separations.

(Dollars in Thousands)

Succession and assignment planning FY88 FY89 FY90 FY91 FY92

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The Employee Profile System and Automated Performance Appraisal System would provide the data base for implementing Agency-wide automated succession and assignment planning capabilities. System design and development costs of \$180,000 included in the costs for the Career Development feature would be incurred in FY 1988 with hardware acquisition, training, and implementation to be phased into FY 1989 and FY 1990 at a cost of \$1.8 and \$1.0 million respectively for access by 70 workstations.

### Total cost (all options)

FY 1988 FY 1989 FY 1990 FY 1991 FY 1992

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Thousand \$

Percent of total  
personal services

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